



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

September 14, 2022

Auditor of State Rob Sand today released a report on the Iowa Department of Transportation for the year ended June 30, 2020.

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

AUDIT FINDINGS:

Sand reported seven findings pertaining to the Department. The findings are on pages 3 through 6 of this report. Sand recommended the Department implement procedures to improve controls over inventory, reporting of retainage payable, reporting of excess right of way land and lack of controls over motor carrier services adjustments. The Department's responses to the recommendations are included in the report.

Four of the findings discussed above are repeated from the prior year. Management of the Iowa Department of Transportation has a fiduciary responsibility to provide oversight of the Department's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

A copy of the report is available for review on the Auditor of State's web site at [Audit Report – Auditor of State](#).

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2020

Iowa Department of Transportation



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STATE OF IOWA

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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

August 25, 2022

Iowa Department of Transportation
Ames, Iowa

Dear Members of the Iowa Department of Transportation:

I am pleased to submit to you the Report of Recommendations for the Iowa Department of Transportation for the year ended June 30, 2020. This report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2020 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of Department of Transportation throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

Iowa Department of Transportation



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STATE OF IOWA

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August 25, 2022

To Scott Marler, Director of the Iowa Department of Transportation:

The Iowa Department of Transportation is a part of the State of Iowa and, as such, has been included in our audit of the State's Annual Comprehensive Financial Report (ACFR) and the State's Single Audit Report for the year ended June 30, 2020.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include findings pertaining to the Department's internal control and statutory compliance and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Transportation's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 7 and they are available to discuss these matters with you.

A handwritten signature in cursive script, appearing to read "Ernest H. Ruben, Jr.".

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
Kraig Paulsen, Director, Department of Management
Tim McDermott, Director, Legislative Services Agency

June 30, 2020

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

- (1) Inventory – An effective internal control system provides for internal controls related to ensuring proper accounting for all inventory by maintaining appropriate accounting records along with independent reviews. Inventory is not recorded in the Integrated Information for Iowa (I/3) system, however, is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. We noted the following conditions:

- Segregation of Duties – Central Warehouse/Sign Shop inventory – Two employees have access to all areas of inventory system.
- Combined inventory was not properly reported on the GAAP package due to fuel inventory being incorrectly recorded in the DOT system.
- Seven of eight garages tested had variances in amounts of inventory listed according to the DOT system than what was observed by auditors.

Recommendation – An independent review of each inventory listing should be performed periodically to ensure the completeness and accuracy of the listings.

Response – The Department will continue to analyze segregation of duties to continue to look for ways to reduce risk. The practice has been to include another person in adjustments of receipts to reduce this risk. The Department will look for ways to restrict access within the software application. The Department is looking to replace the existing inventory system with something that will help address these issues. The Department will continue to keep business units informed of appropriate inventory practices when maintaining inventory.

Conclusion – Response accepted.

- (2) Capital Assets – An effective internal control system provides for internal controls related to ensuring proper accounting for all capital assets by maintaining appropriate accounting records along with independent reviews. The Department was unable to create a current equipment listing from their asset management system, therefore equipment observation sheets were not completed by Department staff for fiscal year 2020.

Recommendation – The Department should ensure that their asset management system produces an accurate capital assets equipment record.

Response – Since FY20, DOT has made improvements to the asset management system, AssetWorks. The DOT will continue to record capital assets in AssetWorks and can provide a current capital asset listing any time.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

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- (3) Retainage Payables – The IDOT retains a percentage of amounts due on projects until the project(s) are complete and meet the IDOT's specifications. The amounts retained at year end are reported on the IDOT GAAP package and, accordingly, are recorded as a liability in the State's Comprehensive Annual Financial Report. Two of eleven retainages tested were incorrectly calculated, resulting in an overstatement of retainages payable of \$56,322.

Recommendation – The IDOT should establish procedures to ensure retainage payables are accurate.

Response – The Department is in the process of eliminating the manually calculated retainages. The goal is to have the new software implemented in late FY22 or early FY23. The Department will remind districts of their responsibility in ensuring the retainage is calculated correctly and will provide additional training for accounting staff to ensure awareness of how the liability is calculated and where the calculation will show in multiple systems.

Conclusion – Response accepted.

- (4) Excess ROW – The amount reported in the general ledger for excess ROW land did not agree with the amount reported in the ROW land management system by \$84,340 due to an adjustment made in the system in previous years that was not reflected in the general ledger.

Recommendation – The general ledger should be adjusted to properly reflect the previous year's adjustment to the ROW land management system.

Response – The Department will investigate integrating the ROW Land Management with Workday so transactions that originate in ROW will automatically update Workday. Until the integration can be developed, the Department will adjust Workday to match the ROW Land Management prior to closing the fiscal year.

Conclusion – Response accepted.

- (5) Motor Carrier Division Audits – IDOT performs internal audits on a sample of quarterly reports submitted to the International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA) clearinghouse. During our review of the Department's internal audits of the quarterly reports, we noted there are no written policies and procedures for performing the internal audits.

Recommendation – The department should develop and implement formal written policies and procedures for performing the audits, including at a minimum, responsibility for the audit, audit report, closing conference, supervisory review, and dating of the report.

Response – The Department will develop a written policy.

Conclusion – Response accepted.

- (6) Motor Carrier Services Adjustments – The Department collects trip permit fees for oversize and overweight vehicles that drive along state owned interstate and U.S. and Iowa highways. When an employee voids a trip permit, they fill out a status worksheet and describe why the trip permit is voided. These status worksheets are the evidence kept of the adjustment.

For no charge adjustments, a description is not required. In addition, although comments are required for voided adjustments, we noted several voided adjustments with no comments.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2020

Recommendation – To strengthen controls, the Department should implement procedures to ensure adequate explanations are required for all adjustments.

Response – In reviewing the November 2019 Void Report each of the entries missing an explanation in the comments were processed by the same employee who no longer works for the Department. The entries in question are likely the result of a staffing or training issue, as they all stem back to the same employee, and we are unable to go back to the person to find out more with these voids. Going forward, we can use this example as a teachable moment for current staff members and use this as a reminder to always include comments as to why a void was processed. Void reports are routinely checked to monitor for these situations and will continue to be in the future.

Conclusion – Response accepted.

June 30, 2020

Finding Related to Statutory Requirements and Other Matters:

Targeted Small Businesses – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

Also, State Agencies with an established TSB procurement goal are required to report the dollar amount of purchases from certified targeted small businesses to the TSB Marketing and Compliance Manager of the IEDA within 15 business days following the end of each calendar quarter.

The TSB procurement goal for the Department for fiscal year 2020 was not set at a level exceeding fiscal year 2019 actual TSB spending. Also, the Department did not provide all required quarterly reports to the TSB Marketing and Compliance Manager of the IEDA within 15 business days as required.

Recommendation – The Department should establish a dollar amount procurement level exceeding the previous fiscal year actual targeted small businesses procurements or seek Legislation to change this statutory requirement. Also, the Department should ensure quarterly reports are submitted to the TSB Marketing and Compliance Manager of the IEDA within 15 business days, as required.

Response – The Department implemented on July 2, 2020 a process for reporting DOT TSB Goals and the submission of timely reports as we move forward.

Conclusion – Response acknowledged. The Department should also establish a dollar amount of procurement level exceeding the previous fiscal year actual targeted small business procurements, as required.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2020

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Ashley J. Moser, Senior Auditor

Other individuals who participated in the audits include:

Prem Gobin, Senior II Auditor
Nicholas J. Gassman, Senior Auditor
Jenna M. Paysen, Senior Auditor
Molly N. Kalkwarf, Senior Auditor
Ethan M. Snedigar, Senior Auditor
Mason R. Brown, Staff Auditor
Nathan A. DeWit, Staff Auditor
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